

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: DAPHNE J. HUANG
DEPUTY ATTORNEY GENERAL**

DATE: MAY 24, 2016

**SUBJECT: IDAHO POWER'S APPLICATION TO UPDATE SOLAR INTEGRATION
RATES AND CHARGES, CASE NO. IPC-E-16-11**

On May 6, 2016, Idaho Power Company filed an Application asking the Commission for authority to update its solar integration rates and charges consistent with its completed 2016 Solar Integration Study. With its Application, the Company filed supporting testimonies by Philip B. DeVol, Senior Planning Analyst with Idaho Power, and Michael J. Youngblood, Idaho Power's Regulatory Affairs Projects Manager. The Company asks that its Application be processed by Modified Procedure.

BACKGROUND

Electric utilities that integrate solar generation into their systems incur costs based on the amount of solar generation integrated, and on the other (non-solar) resources used to provide needed operating reserves. Generally, the average cost of integrating solar generation increases as the electric system's nameplate solar generation increases. Where the utility has contracted to purchase solar power under the Public Utility Regulatory Policies Act (PURPA), the rates for such power must not exceed the utility's "avoided cost" – what the utility would have incurred had it generated or acquired the power elsewhere. If solar integration costs are not calculated and properly allocated to these PURPA project developers, those costs will be impermissibly passed onto utility customers in the avoided costs.

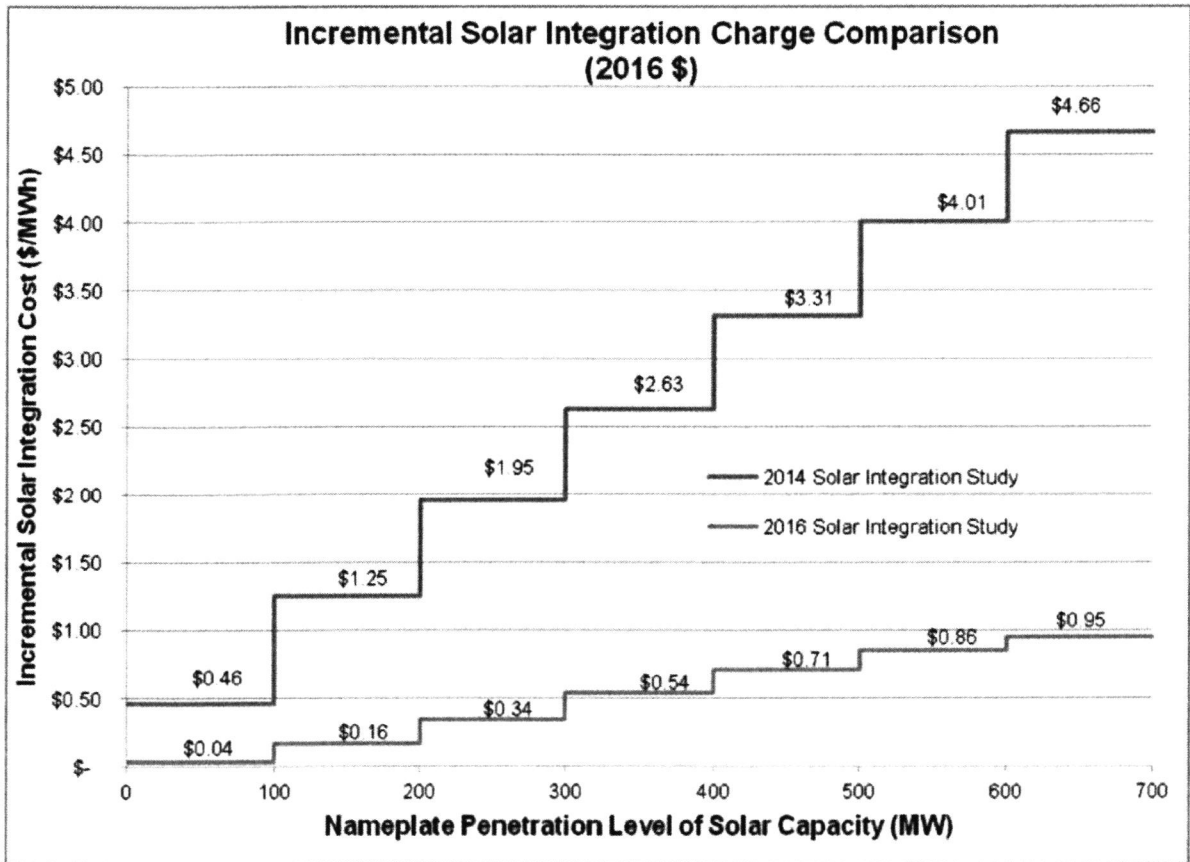
In February 2015, the Commission approved a settlement stipulation which implemented solar integration rates and charges for Idaho Power based on the Company's first solar integration study, completed in 2014. The solar integration rates and charges were set forth in a new tariff Schedule 87, Variable Generation Integration Charges, at the incremental cost of

solar integration for each 100 megawatts (MW) of solar nameplate penetration. The settlement stipulation provided that Idaho Power would initiate a second solar integration study within the next year, using a Technical Review Committee (TRC).

The TRC was comprised of Idaho Commission Staff; Oregon Commission Staff; personnel from Idaho Power; and a technical expert designated by each of the parties to the settlement stipulation. The TRC developed and finalized a study plan and was involved throughout the development of the Study Report, completed April 2016.

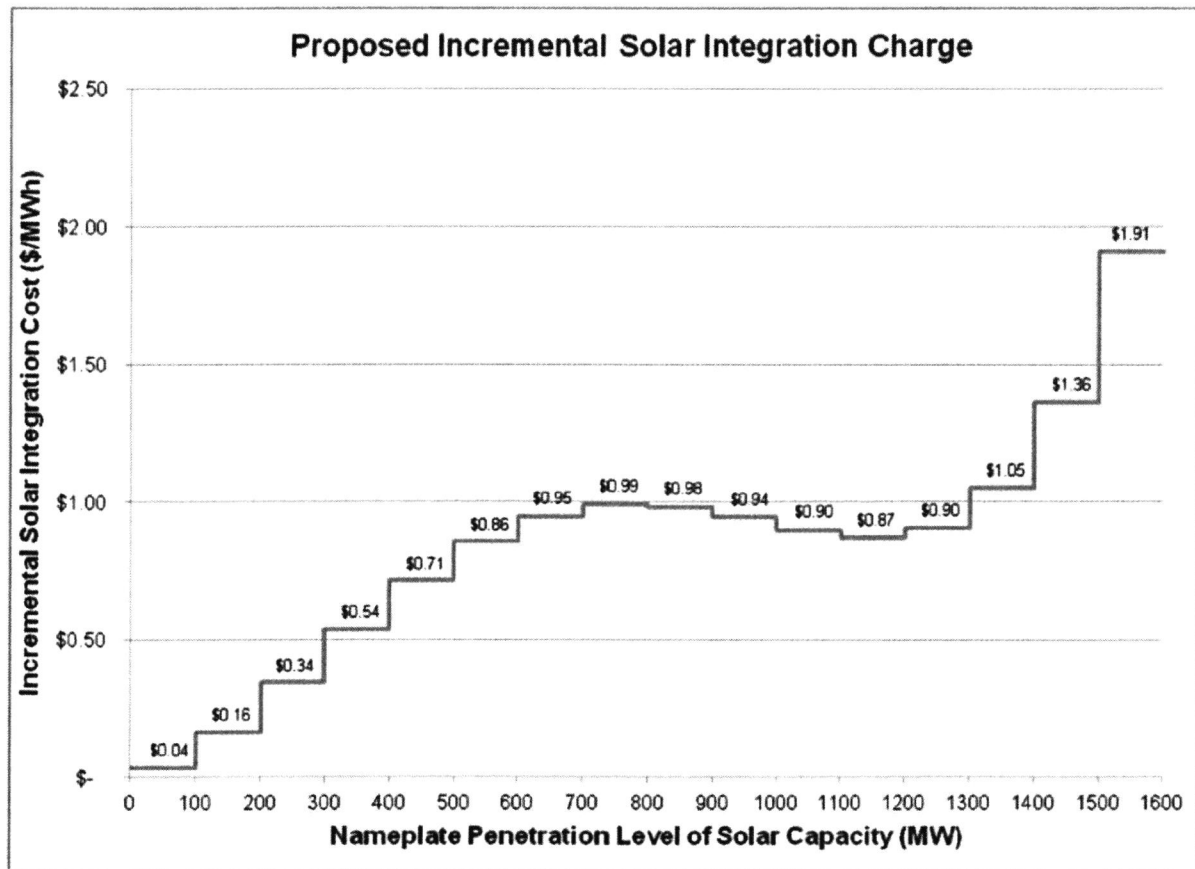
2016 SOLAR INTEGRATION STUDY AND REPORT

As a result of the 2016 Solar Integration Study, Idaho Power proposes updated incremental integration costs at each 100 MW of solar generation penetration, extending out to 1,600 MW. Application at 5. The costs determined in the 2016 Study are substantially less than those from the 2014 Solar Integration Study, as shown in the following graph.



Id.

The 100 MW incremental costs of solar integration to 1,600 MW is shown in the following chart:



Id. at 6.

Exhibit 4 to Mr. Youngblood's testimony contains tables that will replace the current Schedule 87, Sheets 87-9 through 87-15, and create new Sheets 87-16 through 87-24. *Id.* The charges in Schedule 87 are amounts to be deducted from avoided cost rates beginning the year a project comes on-line, and based on the nameplate capacity penetration level of solar generation at the proposed project's scheduled operation date. *Id.* Each 100 MW increment or penetration level has its own table, set forth in Schedule 87, which identifies the levelized integration charge and the non-levelized stream of integration charge amounts listed by year. *Id.*

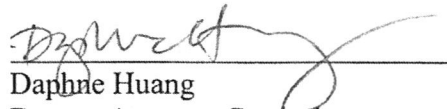
The Company requests that the Commission approve the updates to the solar integration costs in Schedule 87, Variable Generation Integration Charges, as set forth in Mr. Youngblood's Exhibit 4, based on the 2016 Study.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with a 30-day comment period.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure with a 30-day comment period?


Daphne Huang
Deputy Attorney General

M:IPC-E-16-11_djh